



September 14, 2011

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**Ameren Illinois Comments to the Illinois Power Agency's Procurement Plan**

Pursuant to Section 16-111.5(d) (2) of the Public Utilities Act, Ameren Illinois Company (Ameren Illinois) respectfully submits comments to the proposed Procurement Plan submitted for public review and comment on August 15, 2011. Ameren Illinois first would like to compliment the Illinois Power Agency (IPA) on the successful completion of the procurement events completed in the spring of 2011 and wish them continued success going forward. Furthermore, in reference to the proposed Procurement Plan for the period June 2012 through May 2017, Ameren Illinois generally supports the concepts imbedded in the Procurement Plan as proposed by the IPA, but offers the following comments so as to strengthen the proposal and prepare it for implementation.

Ameren Illinois recommendations are enclosed in a redline version of the proposed Procurement Plan and are intended to correct certain mathematical issues and/or highlight areas of the plan that, in the opinion of Ameren Illinois, need additional clarification.

Highlights of the comments are provided below:

- 1) On pages 1 and pages 47-53 and in reference to Renewable Energy Resources, the IPA proposes to create an annual Renewable Energy Resource Budget (RRB) for the next 20 compliance years. The IPA proposes to create a confidential forward price curve which will back out existing long term renewable contracts to yield a Net Renewable Resources Budget (NRRB). The IPA then proposes to factor the NRRB by 50% to create a hard budget limit. The IPA would then solicit REC bids for up to 20 years and once received, such bids would be sorted according to price and source (solar, wind, etc.). The IPA proposes to select bids in a manner that yields at least the minimum carve out requirements after existing long term renewable contracts are added to the new REC volumes. The IPA has outlined a proposal to calculate a NRRB over a 20 year period based on an extrapolation of the low forecast scenario provided by Ameren Illinois.

Ameren Illinois recommends the IPA continue its purchase of one year RECs based on the following criteria:

- Existing long term purchases of RECs (20 years) already account for approximately 50% of the renewable target for 2012 and 35% in 2016. Adding more long term purchases would result in a larger percentage of REC quantities hedged on a forward basis when compared to energy and capacity.
- Since Ameren Illinois submitted its forecast to the IPA on July 15, residential switching has jumped from a negligible quantity to approximately 12,000 customers. It will be difficult to accurately forecast the quantity of load supplied by Ameren Illinois until such time as trends in the residential market become more apparent and therefore adding additional long term purchases may not be prudent at this time.
- A forecast beyond five years has not been included in the plan, other than a methodology outline for which a long term forecast could be created.
- The IPA proposal contains no detail as to the terms and quantities of RECs to be solicited.

In addition to these recommendations, Ameren Illinois has made minor modifications in a redline version of the draft plan so as to provide additional clarification.

- 2) On page 51, the IPA includes a compliance year budget in Table V associated with HEP Supply, however no explanation is provided. Ameren Illinois assumes that HEP supply is in reference to ComEd's real time pricing tariffs, however for clarification, Ameren Illinois notes its real time pricing tariffs are called HSS and RTP. Of greater significance, Ameren Illinois recommends the IPA include language that notes a change to the procurement plan this year, whereas pursuant to the legislative requirement, Ameren Illinois collected money from customers on its real time pricing tariffs beginning June 1, 2010. Ameren Illinois has collected \$424,440 from such customers for the period June 1, 2010 through May 31, 2011. The language should further reference a legislative requirement for the IPA to increase its spending on the purchase of renewable energy resources to be procured by Ameren Illinois for the next plan year by an amount equal to the amounts collected in the prior year ended May 31 and therefore the IPA has added this amount to its RRB calculations.

Ameren Illinois also notes that Table U lists the "Planning Year RPS Volume Target", but this quantity does not take into consideration the 600,000 MWh of RECs associated with existing 20 year contracts. Ameren Illinois has added language to clarify this issue. In Table W, the same holds true for the "Total IPA RRB Calculations", so Ameren Illinois has added language that clarifies the budget associated with the 2012 solicitation of one year RECs will be the value in Table W minus a confidential REC value associated with the 20 year contracts.

In addition to these recommendations, Ameren Illinois has also made minor corrections to Table V.

- 3) On pages 1 and 54-55, the IPA proposes seeking proposals for both Ameren Illinois and ComEd for up to 250 MW of electricity generated by advanced clean coal technologies that

capture and sequester carbon dioxide emissions so as to satisfy requirements of the law that become effective June 1, 2015. The Agency proposes to accept proposals from existing clean coal facilities, clean coal facilities that are under development and qualifying coal-fired power plants previously owned by Illinois utilities that have been converted or will be converted into clean coal facilities. The IPA suggests that any proposal that is accepted and approved by the Commission will result in a 20 year or greater contract between both Utilities and the project sponsor.

While Ameren Illinois supports continued discussion of clean coal purchases among the IPA, Utilities and other interested parties, the IPA proposal is deficient in that it provides little detail regarding the quantity and type of products sought, nor the exact term. In addition, no mention is made of whether such purchases would satisfy the clean coal mandate associated with the IPA Act and whether cost caps would therefore apply. Such details should be included in the IPA procurement plan or the proposal should be removed from the plan.

- 4) Ameren Illinois makes note that it provided its forecast to the IPA on July 15 for the period June 1, 2012 through May 31, 2017. At that time, Ameren Illinois had seen negligible residential switching to ARES. However, since that time Ameren Illinois has witnessed approximately 12,000 residential customers switch to ARES.

Ameren Illinois notes the lack of historical experience regarding residential switching which may create inaccuracy in its forecast as of July 15 when compared to previous procurement periods. Ameren Illinois is pleased the IPA recognizes this issue and has proposed language on pages 21 and 34 which allows for revised forecasts to be provided under certain criteria. Ameren Illinois agrees with the IPA in regards to this proposal, however, Ameren Illinois suggests the language be modified to clarify certain details and to be consistent with past procurement plans. Specifically, Ameren Illinois recommends the language state it will provide a revised forecast to the ICC in early November.

Furthermore, Ameren Illinois recommends minor language changes in the section "Portfolio Rebalancing in the Event of Significant Shifts in Load" which addresses forecast revisions after the prompt delivery year (2012) commences. Finally, Ameren Illinois has made minor modifications to its load forecast document (included as an attachment to the IPA plan) so this language is consistent with the IPA procurement plan.

- 5) Ameren Illinois notes that in late 2010, the three legacy companies associated with the Ameren Illinois Utilities were merged into one entity called Ameren Illinois Company ("Ameren Illinois"). Therefore, any reference to the Ameren Illinois Utilities or the individual legacy companies has been changed to Ameren Illinois throughout the IPA procurement plan.
- 6) On page 26 and 29, the IPA notes that energy volumes proposed in the draft procurement plan do not take into consideration the impact of Long Term Power Purchase Agreements entered into by Ameren Illinois in December 2010. Ameren Illinois agrees with the IPA that volumes under Long Term Power Purchase Agreements are delivered as generated and therefore exact volumes are not known until after the fact. However, Ameren Illinois

believes that such volumes can be estimated on an average monthly on peak and off peak basis and such estimation can be done with a reasonable degree of accuracy. Such estimating could be as simple dividing 600,000 MWh per year by 8760 hours to estimate each monthly on and off peak block. A more accurate reflection would be to estimate seasonal and on peak/off peak generating factors associated with the 600,000 MWh per year to create a profile that is weighted toward shoulder months and night time (off peak). Either of these methodologies would represent an improvement because the current proposal will overstate the amount of hedges required in this and future procurement periods. Ameren Illinois therefore recommends that the volumes associated with existing Long Term Power Purchase Agreements be estimated and then netted against the required energy volumes in this and future IPA procurement plans.

Also on page 29, Ameren Illinois recommends adding language in order to address potential overlaps associated with the IPA procurement plan and an IPA solicitation for energy and renewable energy credits in proposed Illinois legislation SB 1652:

“...the IPA makes note that proposed Illinois legislation SB 1652 contains provisions which stipulate that if enacted into law, the Utilities have 30 days to provide an updated forecast to the IPA for the period June 1, 2013 through December 31, 2017. Once received, the IPA has another 90 days to solicit energy and renewable energy credits based on a calculation methodology as described in SB 1652. The IPA recognizes that the period associated with this procurement plan overlaps that proposed in SB 1652. Therefore, the IPA proposes that if SB 1652 is enacted into law and any solicitation as required by SB 1652 results in contracts for energy and renewable energy credits and such contracts are completed prior to any solicitations under this procurement plan, the IPA will net the contract quantities resulting from SB 1652 from those approved in this procurement plan. The resulting net quantities will be those for which the IPA solicits in the spring of 2012. In the event the procurement events associated with SB 1652 occur after any solicitations under this procurement plan, existing language in SB 1652 addresses this scenario, such that quantities pursued under any SB 1652 solicitation will be net of all existing purchase quantities.”

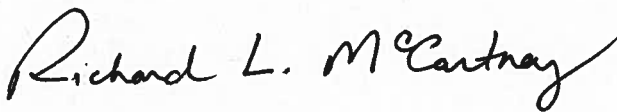
- 7) On page 45 and in regards to capacity, the IPA states that MISO operates on a bi-lateral contracting basis and the only option for Ameren is to conduct a procurement event. Ameren Illinois suggests language that clarifies that MISO does currently have a thinly traded monthly capacity auction for prompt month only. However, given the IPA desire to purchase capacity with a term of longer than prompt month (for which Ameren Illinois agrees), Ameren Illinois has proposed minor modifications to the proposed language solely for the purpose of clarification.
- 8) On pages 44-46, the IPA discusses the procurement of capacity and makes mention of proposed changes at MISO which are being considered by FERC in order to transition to a yearly capacity construct with zonal differences. Ameren Illinois agrees with the proposed language by the IPA, as well as the quantities of capacity proposed. However, Ameren Illinois suggests some minor modifications in the language in Tables N and O for clarification purposes only.

- 9) On page 7, Ameren Illinois changes the date of pending procurement events and resulting contracts to 2012 and also notes that existing contracts are in place that resulted from the 2010 and 2011 procurement cycles as opposed to just 2010 as currently written.
- 10) On pages 12-13, Ameren Illinois provides clarification in regards to certain language pertaining to the MISO Resource Adequacy Construct, including identification of the actual Ameren companies that intervened at FERC.

In addition to the comments provided in this cover letter, the attached redline version of the draft plan may contain additional items not mentioned here.

Ameren Illinois looks forward to working with the IPA to finalize the development and implementation of the draft Procurement Plan. If you have any questions or would like to discuss any of the comments, please feel free to contact me at 314-613-9181 or email me at [rmccartney@ameren.com](mailto:rmccartney@ameren.com) or Jim Blessing at 314-554-2972 or [jblessing@ameren.com](mailto:jblessing@ameren.com).

Sincerely,



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